

Message Text

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SUBJ: GOA FOREIGN INVESTMENT POLICY

1. SUMMARY: PRIME MINISTER 24 SEPTEMBER RELEASED 20-PAGE DETAILED STATEMENT OF FOREIGN INVESTMENT POLICY GUIDELINES PROCEDURE AND ORGANIZATION. NEW STATEMENT EXTENDS SCREENING IN PRINCIPLE TO ALL FOREIGN INVESTMENT PROPOSALS INCLUDING THOSE NOT REQUIRING EXCHANGE CONTROL APPROVALS, FURNISHES MORE DETAILED GUIDELINES FOR CONSIDERATION OF PROPOSALS IN FIELDS OF MINERALS AND REAL ESTATE AND ESTABLISHED SINGLE NEW FOREIGN INVESTMENT ADVISORY COMMITTEE RESPONSIBLE FOR REVIEW OF INVESTMENT AND TAKEOVER PROPOSALS. THE MOST IMPORTANT FEATURES OF THE NEW POLICY STATEMENT ARE (1) EXTENSION OF SCREENING TO PROPOSALS FINANCED WITHOUT BRINGING NEW FOREIGN CAPITAL INTO COUNTRY, (2) RELAXATION OF REQUIREMENTS FOR AUSTRALIAN PARTICIPATION IN MINERALS EXPLORATION, (3) PRESCRIPTION OF MINIMUM FIFTY PERCENT AUSTRALIAN OWNERSHIP AND CONTROL FOR MINERALS DEVELOPMENT, (4) TIGHTENING OF CRITERIA FOR REVIEW OF PROPOSED FOREIGN INVESTMENTS IN

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NON-BANK FINANCIAL INSTITUTIONS, INSURANCE COMPANIES AND REAL

ESTAGE, (5) RETENTION OF ONE HUNDRED PERCENT AUSTRALIAN OWNERSHIP AND CONTROL REQUIREMENT FOR DEVELOPMENT OF URANIUM DEPOSITS (EXCEPT FOR ORE BODIES DISCOVERED ON LICENSES OR EXPLORATION TITLES GRANTED PRIOR TO 24 SEPTEMBER 1975) END SUMMARY.

2. IN ADDITION TO MAJOR FEATURES LISTED ABOVE, NEW POLICY PROVIDES FOR SCREENING OF SIGNIFICANT EXPANSIONS OF EXISTING FOREIGN CONTROLLED ENTERPRISES, SIGNIFICANT INCREASES IN FOREIGN OWNERSHIP OF EXISTING FIRMS AND PROPOSALS FOR EXISTING FOREIGN-OWNED FIRMS TO ENTER NEW LINES OF BUSINESS.

3. THE STATEMENT ALSO MAKES PROVISION FOR EXEMPTION FROM SCREENING OF NEW INVESTMENTS, EXPANSIONS AND INCREASES IN FOREIGN CONTROL BELOW SPECIFIED CUT-OFF POINTS.

4. PROCEDURALLY THE STATEMENT ABOLISHES EXISTING FOREIGN INVESTMENTS COMMITTEE AND FOREIGN TAKEOVERS COMMITTEE AND CREATES NEW FOREIGN INVESTMENT ADVISORY COMMITTEE TO BE RESPONSIBLE FOR ALL FOREIGN INVESTMENT AND TAKEOVER PROPOSALS. NEW COMMITTEE, LIKE COMMITTEES ABOLISHED, WILL REVIEW PROPOSALS AND MAKE RECOMMENDATIONS FOR FINAL DECISIONS BY THE TREASURER. IN FUTURE FOREIGN INVESTMENT PROPOSALS INVOLVING TAKEOVERS WILL BE SUBMITTED DIRECTLY TO THE TREASURY WHILE ALL OTHER FOREIGN INVESTMENT PROPOSALS MAY BE SUBMITTED EITHER TO THE TREASURY OR TO THE RESERVE BANK.

5. EMBASSY WILL FORWARD MORE DETAILED REPORT ON NEW POLICY BY AIRGRAM, TOGETHER WITH COPY OF OFFICIAL TEXT OF PRIME MINISTER'S STATEMENT.

6. EMBASSY COMMENT: THE IMPACT OF THE NEW COMPREHENSIVE POLICY STATEMENT IS MIXED. IN THE CASE OF INDUSTRIAL INVESTMENT IT ESSENTIALLY REITERATES EXISTING GUIDELINES AND CRITERIA WHILE EXTENDING FORMAL SCREENING PROCEDURES TO INVESTMENTS FINANCED BY FOREIGN CONTROLLED FUNDS ALREADY IN COUNTRY. MOST SIGNIFICANT INVESTMENTS IN LATTER CATEGORY WERE ALREADY BEING VOLUNTARILY SUBMITTED FOR SCREENING BY WOULD-BE INVESTORS. IN CASE OF MINERALS, WITH EXCEPTION OF URANIUM, THE NEW FIFTY PERCENT MINIMUM AUSTRALIAN OWNERSHIP

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AND CONTROL PROVISION AMOUNTS IN EFFECT TO A LIBERALIZATION. WHILE PREVIOUS MINERALS POLICY STATEMENTS WERE NOT SPECIFIC ON AUSTRALIAN OWNERSHIP AND CONTROL REQUIREMENTS THE GENERAL ATMOSPHERE IMPLIED A HIGHER LEVEL OF SUCH CONTROL. MOREOVER, THE ELIMINATION OF THE REQUIREMENT FOR ANY MANDATORY LEVEL OF AUSTRALIAN PARTICIPATION AND CONTROL IN MINERALS EXPLORATION REPRESENTS AN IMPORTANT RELAXATION. IN THE CASE OF REAL ESTATE, NON-BANK FINANCIAL INSTITUTIONS, AND

INSURANCE COMPANIES THE SPECIFIED CRITERIA ARE TIGHTENED,
BUT DE FACTO PRACTICE WAS ALREADY TO PROHIBIT SUCH INVESTMENTS
EXCEPT IN MOST UNUSUAL CASES.

7. ONE OF THE MOST IMPORTANT FEATURES OF THE NEW POLICY
IS ITS EXPLICIT STATEMENT OF OVERALL PREMISES. THE KEY
STATEMENTS ARE QUOTE THE GOVERNMENT RECOGNIZES THAT
AUSTRALIA WILL, FOR THE FORSEEABLE FUTURE, CONTINUE TO
REQUIRE FOREIGN CAPITAL, INCLUDING EQUITY CAPITAL, IF WE ARE
TO ACHIEVE OUR BASIC AIM OF INSURING THAT AUSTRALIA'S RESOURCES
AND INDUSTRIES ARE DEVELOPED IN SUCH A WAY AS TO BRING MAXIMUM
BENEFITS TO THE AUSTRALIAN PEOPLE. WITHIN THIS OVERRIDING GOAL,
HOWEVER, THE GOVERNMENT, WHILE CONTINUING TO WELCOME BENE--
FICIAL FOREIGN CAPITAL, HAS AMAJOR LONGER TERM OBJECTIVE OF
THE PROMOTION OF AUSTRALIAN CONTROL AND THE MAXIMUM AUSTRALIAN
OWNERSHIP COMPATIBLE WITH OUR LONG TERM CAPITAL REQUIREMENTS
AND OUR NEED FOR ACCESS TO MARKETS, ADVANCED TECHNOLOGY AND
KNOW-HOW. WE RECOGNIZE THAT THE PRIVATE SECTOR HAS A MAJOR
ROLE TO PLAY IN ACHIEVING THIS OBJECTIVE ... UNQUOTE.

8. INITIAL BUSINESS REACTION TO THE NEW STATEMENT IS GENER-
ALLY FAVORABLE. THIS IS ESPECIALLY TRUE OF THE MINING INDUS-
TRY, WHOSE SPOKESMEN HAVE PRAISED THE CLARIFICATION OF
GUIDELINES ON BOTH EXPLORATION AND DEVELOPMENT OF MINERALS
RSOURCES. UNDOUBTEDLY THE BUSINESS REACTION WILL BE MORE
SPECIFIC AFTER BUSINESS CIRCLES HAVE EXAMINED IN MORE DETAIL
THE PRECISE NEW SCREENING REQUIREMENTS INTRODUCED BY THE NEW
POLICY. IN GENERAL, HOWEVER, WE BELIEVE THAT THE EXTENSION OF
SCREENING JURISDICTION HAS BEEN LARGELY ANTICIPATED BY MAJOR
INVESTORS, WHILE ELABORATION, AND IN SOME CASES LIBERALIZ-
ATION OF THE CRITERIA WHICH WILL BROADLY GOVERN THE EXAMINATION
OF INDIVIDUAL CASES WILL BE WELCOMED.

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